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**U.S. CONVICTS ATTORNEY AND FORMER CFO IN
MASSIVE SCHEME TO DEFRAUD ELECTRONIC DATA SYSTEMS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York and MARK J. MERSHON, the Assistant Director In Charge of the New York Field Office of the FBI, announced the conviction in Manhattan federal court late Thursday of two defendants - JOHN FASCIANA and JOSEPH AMATO - for their participation in a sophisticated scheme to defraud Electronic Data Systems Corporation ("EDS") out of millions of dollars. The defendants were convicted by a jury after an 11-week trial before United States District Judge LAURA TAYLOW SWAIN.

The evidence at trial established that defendant FASCIANA, an attorney and Certified Public Accountant, and AMATO, the former Chief Financial Officer of EDS's Global Securities Industry Group ("GSIG"), participated in an elaborate scheme to defraud EDS out of millions of dollars. (An earlier trial ended in a mistrial in December 2002.)

As part of the scheme, FASCIANA and AMATO helped the head of GSIG, co-defendant MICHAEL REDDY (now deceased), and others to steal hundreds of thousands of dollars from EDS by

diverting checks sent to EDS for payment for services performed by EDS, and then laundering those checks through FASCIANA's attorney's trust account, the evidence at trial revealed.

The evidence at trial also revealed that FASCIANA and AMATO helped REDDY falsify and alter GSIG's books and records in order to make it appear that GSIG had met various revenue and profit targets. By engaging in these falsifications and alterations, REDDY and others reaped millions of dollars in bonuses under EDS's incentive compensation agreement plan, the evidence showed. The evidence established that FASCIANA made more than \$350,000 from the check-stealing and bonus compensation scheme through secret side deals he had entered into with REDDY and others. The evidence established that AMATO made more than \$70,000 from the scheme.

The evidence at trial established that, prior to May 1995, REDDY, then a member of Wall Street's G30 Working Committee, and the author of a book on securities industry operations, headed a company known as FACS Corporation International ("FCI"). FCI was headquartered in the Wall Street area of Manhattan, and provided various services to investment banks and brokerage firms. REDDY was the chairman and chief executive officer of FCI, and owned approximately 70% of FCI. AMATO was the chief financial officer of FCI. FASCIANA, who practiced law through the law firm of Fasciana & Associates,

P.C., served as REDDY's personal lawyer and as outside counsel to FCI and FCI's shareholders.

In or about May 1995, EDS acquired 100% ownership of FCI. After the acquisition, FCI became a part of EDS's Global Securities Industry Group, later renamed the Global Financial Markets Group ("GFMG"), the evidence showed. After EDS purchased FCI, REDDY became the Chairman and CEO of the GSIG/GFMG. It was established at trial that FASCIANA provided various services to REDDY, to GSIG, and then later to GFMG.

The fraud established at trial centered on the activities of GSIG/GFMG's Asset Research and Recovery division. Among other things, the Asset Research and Recovery division specialized in assisting clients in recovering funds escheated to states as abandoned property, according to the trial evidence. The Asset Research and Recovery division typically received 30% of any funds recovered for its clients.

One aspect of the fraud established at trial involved GSIG/GFMG's efforts to collect certain receivables that remained on FCI's books as of the date that EDS acquired FCI. Under the agreement between EDS and the FCI shareholders, \$1 million of the purchase price was set aside in an escrow account controlled by FASCIANA, to be paid out to the former FCI shareholders when GSIG/GFMG successfully collected of pre-acquisition receivables. For each dollar of pre-acquisition receivables collected on EDS's

behalf after May of 1996, FCI's former shareholders would be entitled to recover one dollar from the escrow account. The evidence at trial established, among other things, that by November 1996, more than \$500,000 in pre-acquisition receivables remained uncollected, and a corresponding amount remained in escrow awaiting payment to FCI's shareholders upon collection of the pre-acquisition receivables. As demonstrated at trial, from in or about November 1996, up to and including in or about December 1998, REDDY, FASCIANA, AMATO and others misled EDS into believing that they had collected over \$500,000 of these pre-acquisition receivables which had not, in fact, been legitimately collected. The evidence showed that REDDY, AMATO, FASCIANA and others accomplished this by, among other things, creating fake invoices and accounting records which made it appear that checks received from post-acquisition clients of EDS for post-acquisition work represented the collection of pre-acquisition receivables. REDDY and FASCIANA facilitated this scheme by laundering through FASCIANA's bank accounts approximately \$400,000 in funds EDS received from post-acquisition work performed for clients of EDS, and then representing to EDS that the funds were in fact attributable to the collection of pre-acquisition receivables. As a result, EDS paid to the FCI shareholders over \$500,000 that was not in fact due to the FCI shareholders under the EDS/FCI purchase agreement.

Another aspect of the fraud proven at trial involved bonuses that EDS agreed to pay the former FCI shareholders and key employees if certain performance targets were met. The evidence showed, for example, that REDDY, FASCIANA, AMATO and others doctored the books of GSIG/GFMG in order to meet their 1995 performance targets and thereby fraudulently obtained a \$2 million bonus for the former FCI shareholders.

The evidence at trial also showed that REDDY, FASCIANA, AMATO and others engaged in a scheme to doctor GSIG/GFMG's books in 1997, to make it appear that they had met performance targets for 1997 and therefore were entitled a \$5 million bonus due under EDS's incentive compensation plan ("ICP"). In order to create the appearance that the performance targets had been met, and to receive the \$5 million payment, REDDY and others decided to record as income in 1997 more than \$7 million representing EDS's putative share of more than \$20 million in potential claims that the Asset Research and Recovery division was researching on behalf of two clients, Cigna Investments, Inc. ("Cigna") and Prudential Investments ("Prudential"). The claims were for principal, dividend and interest payments potentially due to Cigna and Prudential on securities held by custodial banks on behalf of Cigna and Prudential. The evidence at trial showed

that the claims were bogus. Nevertheless, recording the bogus claims increased the apparent income and profit margin for the GSIG/GFMG to an amount that met the performance targets set in the ICP, and allowed the key employees, including REDDY, to qualify for their \$5 million ICP payments for 1997. REDDY received approximately \$3.6 million of this \$5 million payment under the ICP. FASCIANA received approximately \$195,000 as part of a side deal he had with REDDY in connection with this aspect of the fraud.

The evidence showed that, in order to conceal the improper recording of income associated with potential claims in 1997, REDDY and FASCIANA instructed the head of the Asset Research and Recovery division to "substitute" new claims identified in 1998 for any of the inadequately researched Cigna and Prudential claims booked in 1997 that subsequently proved to be invalid. That is, REDDY and FASCIANA instructed the Asset Research and Recovery group to alter EDS's books so that valid claims identified in 1998 would appear to have been made in 1997, and invalid 1997 claims in corresponding dollar amounts would be erased from EDS's books. This resulted in understating the GSIG/GFMG's true income in 1998, and concealed the overstatement of the GSIG/GFMG's true income in 1997.

To generate sufficient funds in 1998 to eliminate the previously booked bogus claims and still to approach 1998 performance targets, the employees of the Asset Research and Recovery division created fraudulent claims to the states of Massachusetts and New York on behalf of EDS clients for the return of abandoned property that did not, in fact, belong to EDS clients, the evidence showed.

FASCIANA and AMATO were found guilty of 1 count of conspiracy to commit mail fraud and wire fraud. FASCIANA was also found guilty of 8 counts of mail fraud, and 3 counts of wire fraud. AMATO also was found guilty of 2 counts of mail fraud.

FASCIANA, age 60, lives in Bedford Hills, New York.

AMATO, age 64, lives in Wycoff, New Jersey.

FASCIANA faces a maximum sentence of 60 years imprisonment; AMATO faces a maximum sentence of 15 years imprisonment. They both faces fines and restitution to be determined by the court.

REDDY previously lived in Saddle Brook, New Jersey. He died before trial.

Assistant United States Attorneys MARCUS A. ASNER and JOSEPH V. De MARCO are in charge of the prosecution.

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